IASB Conceptual Framework

The Conceptual Framework for Financial Reporting is currently as follows:

Chapter 1: The objective of general purpose financial reporting
Chapter 2: The reporting entity (*to be issued*)
Chapter 3: Qualitative characteristics of useful financial information
Chapter 4: Remaining text of the 1989 Framework:

- Underlying assumption
- The elements of financial statements
- Recognition of the elements of financial statements
- Measurement of the elements of financial statements
- Concepts of capital and capital maintenance

The purposes of The Conceptual Framework:

(1) To assist the **IASB** in the development of future IFRSs, promoting harmonisation of regulations and accounting standards.
(2) To assist **national standard-setting bodies** in developing national standards.
(3) To assist **preparers** of F/S in applying IFRSs.
(4) To assist **auditors** in forming an opinion on F/S complince with IFRS
(5) To assist **users** of financial statements in interpreting the information.

Chapter 1: The objective of general purpose financial reporting:

Providing Financial Information about the reporting entity

To Users → Decisions Making

- Suppliers - Customer

Existing and potential investors, lenders and other creditors.

Existing Potential - Government - Managment

These users need information about:

* The economic resources of the entity.
* The claims against the entity.
* Changes in the entity's economic resources and claims.

The Conceptual Framework makes it clear that this information should be prepared on an accruals basis

Chapter 3: Qualitative characteristics of useful financial information

DECISION-USEFULNESS

(1) Fundmental Qualities:

(A) Relevance
* ~~Productive~~ Predictive Value
* Conformity Value
* Materiality

(B) Faithful Representation
* Completeness
* Naturality
* Free from Error

(2) Enhancing Qualities:

(A) Comparability
(B) Verifaiability
(C) Timeliness
(D) Understandability

CONSTRAINT --> COST

Chapter 4: Underlying Assumption

It is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

ENTERPRISE — Now → Future

Chapter 4: Elements of F/S

Financial Position		Financial Performance	
Assets	1 Future Benefits 2 Controlled 3 Past Event	**Income** "Revenue & Gains"	↑ (Increase) Assets ↓ (Reduction) Liab.
Liabilities	1 Future Settlement 2 Present Obligation 3 Past Event	**Expenses** "Expenses & Loss"	↑ (Increase) Liab. ↓ (Reduction) Assets
Equity	Assets — Liabilites = Nest Assets		

Chapter 4: Recognition of Elements of F/S

Incorporating an item into F/S if it meets the definition of an element & satisfies the following criteria for recognition:

It is probable that any future economic benefit associated with the item will flow to or from the entity ▶ The item has a cost or value that can be measured with reliability

Chapter 4: Measurement of Elements of F/S

Determining the monetary amounts at which the elements of the financial statements are to be recognised:

Historical cost	Current cost
Realisable (settlement) value	Present value

(Inventory) ZIAD HAMDY, CPA, DIPIFR